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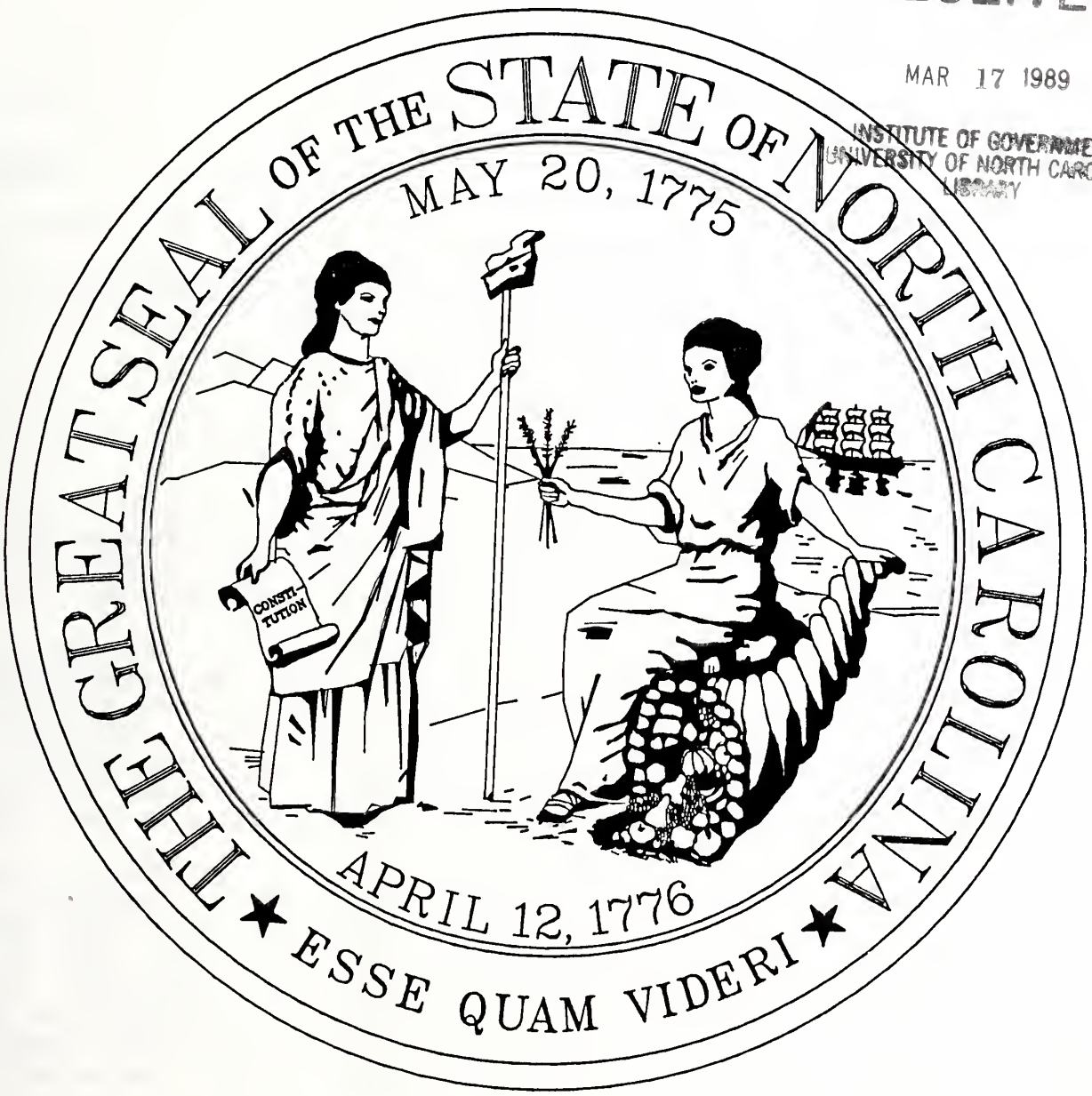


Third Party Coverage of Diabetes Treatment Report

DEPARTMENT OF INSURANCE
State of North Carolina

P O Box 26387

RALEIGH N C 27611

JIM LONG
COMMISSIONER OF INSURANCE

(919) 733-7343

MEMORANDUM

DATE: March 14, 1989

TO: Honorable James C. Gardner, Lt. Governor
Honorable Josephus L. Mavretic, Speaker

FROM: Jim Long, Commissioner of Insurance

RE: **Third Party Coverage of Diabetic Treatment**

House Bill 1478 of the 1987 Session of the General Assembly called for the Department of Insurance to prepare a report regarding the extent of health insurance coverages for: diabetes outpatient education, diabetes monitoring and management supplies.

Unfortunately, there is no readily available data base from which to accurately measure the extent of coverages in question. Hence, in response to this charge, we surveyed all licensed accident and health companies in April, 1988 and again in October, 1988. The initial survey did not produce the data from which we could draw some general conclusions about the industry's participation in providing insurance coverage for diabetic conditions.

In October, 1988, of the 872 companies surveyed, 750 companies (86%) responded. The vast numerical majority of companies responded that they either did not provide the diabetes coverages in the survey, or that the survey did not apply to them. Most companies indicated they provided accident only, credit health coverage or limited benefit policies, i.e., cancer. While this would suggest that the subject coverages are not widely available, close examination of the data may suggest a more positive finding.

Of the 164 companies that indicated they provided some or all of the selected coverages, these same companies represented approximately 58% of the total accident and health insurance premiums written in this State during the reporting period of 1988. If one were to exclude the limited coverages (accident only, credit health or limited benefit policies) the proportion of <u>insured</u> premiums represented by these 164 companies may approach 75% of the total amount of coverage available.

From the data compiled in our survey, we developed the following table to illustrate the companies' responses regarding outpatient education and the providing of coverage for all or portions of diabetic supplies:

Line of Coverage	Number of Companies Providing Diabetic Benefits	Percentage of N.C. Health Premiums Written by Companies Providing Coverage	Premium Volume
Outpatient Education	90	29%	$311,133,530
Companies Providing Some or all of Diabetic Supplies	159	59%	$635,860,603

Additional data obtained from the 164 companies regarding the types of diabetic supplies covered is as follows:

	Companies Providing This Benefit	
Diabetic Supplies Covered	Number	Percentage of Total N.C. Health Premiums
Prescribed Diabetes Monitoring and Management Supplies	131	45
Syringes	151	53
Blood Glucose Meter (SMBG)	144	54
Insulin Delivery Device	139	53
Insulin Infusion Pump	141	53
Insulin	159	59
Urine Test Strips	137	48
SMBG Supplies	134	49
Insulin Delivery Supplies	131	48
Insulin Infusion Pump Supplies	132	49

It would appear from the chart that while most of the companies still lack the essential benefits of diabetic coverage, most of the insured coverages may provide both outpatient education benefits and most do clearly cover some or all of the diabetic supplies.

I would note that insured coverages is underlined, in that current market estimates are 40 to 60% of the total health insurance coverage now in force is "self-insured". The U.S. Department of Labor estimates that the following percentage of employers by size are self-funded:

24% of the plans with 100 to 249 participants
43% of the plans with 250 to 999 participants
71% of the plans with 1,000 to 4,999 participants
80% of the plans with 5,000 or more participants

Because of the 1974 ERISA law, these plans are exempt from state regulation and legislation, not to mention premium taxes. While the coverages of these plans do tend to mirror those of traditional insurance contracts, we can only assume this is the case as there is no way for us to assess this major portion of the marketplace.

Based on the data we were able to collect, we can make the following assumptions:

1. *Even though companies provided for diabetic supplies, there is a debatable issue as to whether or not the companies are really providing the supplies indicated in the survey. It appears that coverage for the more technologically advanced devices and supplies used in the treatment of severe diabetes such as SMBG, insulin delivery devices and insulin infusion pumps, is discretionary. Responses indicated payment was dependent on the medical necessity of the devices or supplies in the monitoring and management of the diabetic condition.*

2. *A few companies agreed to revise their comprehensive health plans to offer coverage for the outpatient diabetic program without the State mandating the benefit. The overall sentiment was that without a state mandate additional benefits would not be provided. Mandated benefits do not generally lower the cost of health coverage, because everyone is covered. Mandating benefits would make the coverage available to everyone, whether or not they wanted or needed it--similar to maternity benefits.*

3. *Three of our largest domestic writers of accident and health coverages (Durham Life, Mid-South and Jefferson-Pilot) do not provide outpatient education programs.*

4. *Only 90 companies, representing 29% of the premiums written in North Carolina, provided outpatient programs.*

5. *Companies representing less than 50% of the premium volume written in North Carolina provide for supplies needed in severe cases of diabetes.*

6. *Companies providing affirmative data represented 59% of the total accident and health premiums written in North Carolina.*

7. *Of the 164 companies providing affirmative data, 159 covered all or a portion of diabetic supplies.*

I trust this report will be of value to you and your colleagues in your deliberations on this subject. Should you have any questions or comments or if this Department can be of further assistance in this or any other matter, please let me know.

JEL/LW/jg

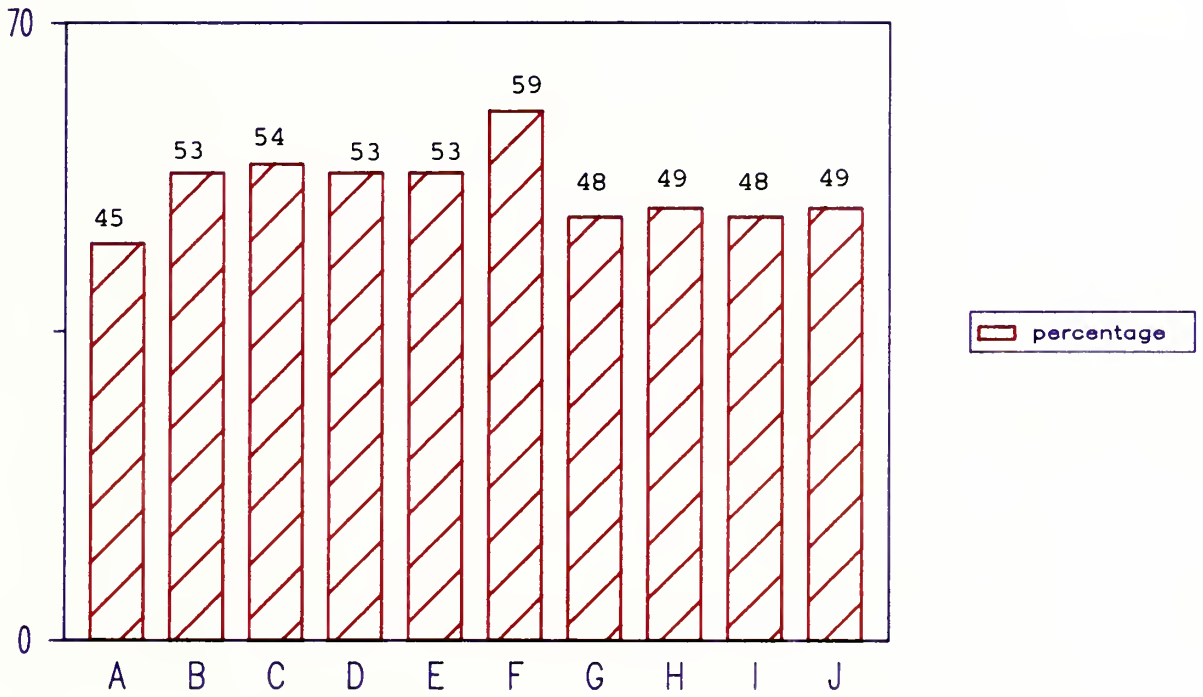
PREMIUM VOLUME FOR COMPANIES

PROVIDING AFFIRMATIVE DATA

Type of Company	Premium Volume for Companies Providing Affirmative Data	Total A&H Premium Written In NC
NC Life Companies	$ 130,314,041	$ 174,922,967
Out-of-State Life Companies	481,352,352	836,129,890
Out-of-State Fire & Casualty Co's	24,724,921	65,363,250
Out-of-State Fraternal Orders	566,640	2,446,332
Grand Totals	$ 636,957,954	$ 1,078,862,439

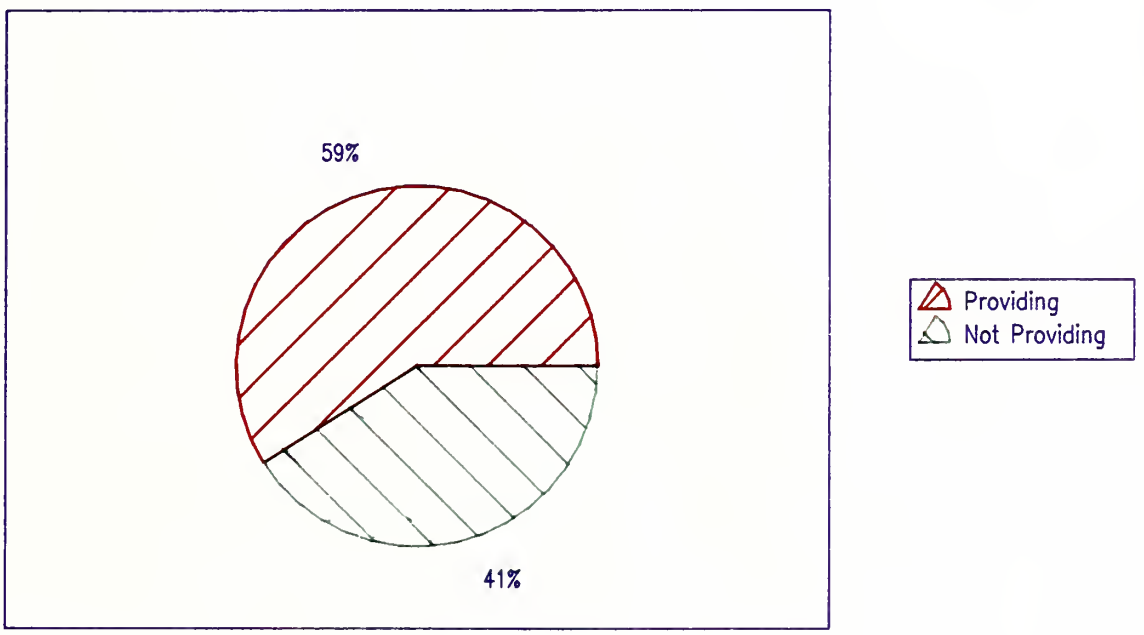
Percentage of business written in NC by companies providing affirmative data 59%

DIABETIC BENEFITS COVERED



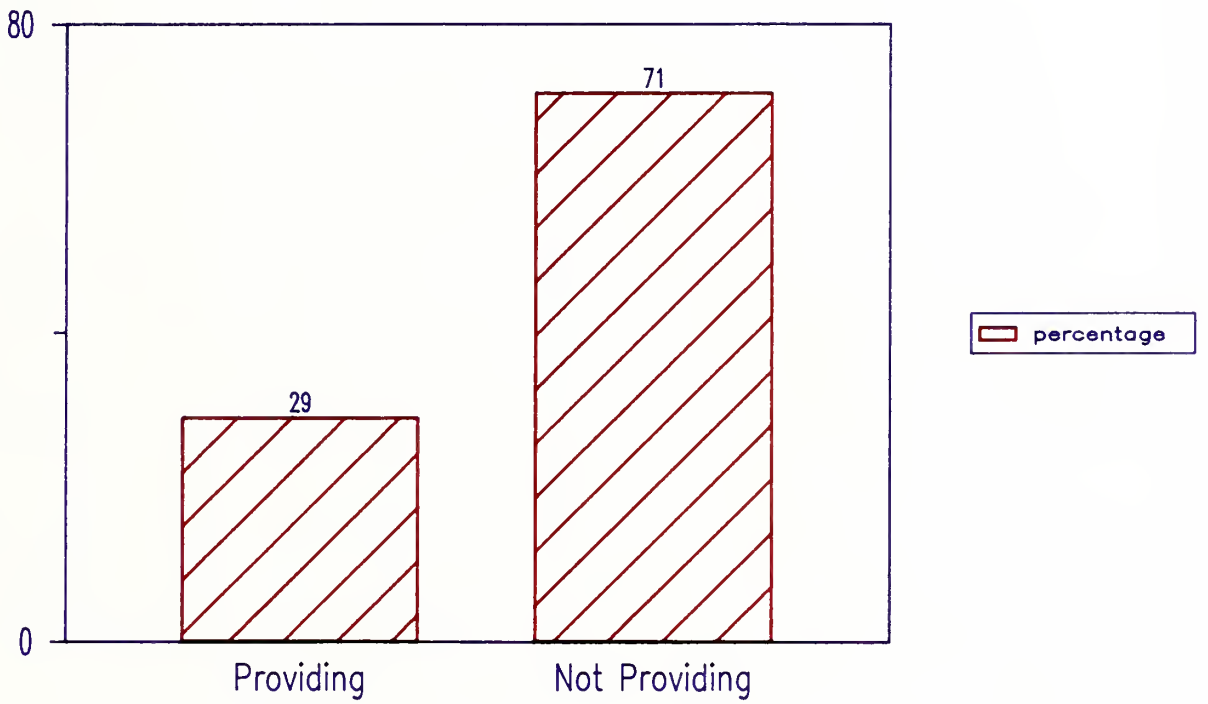
A. Prescribed Diabetes Monitoring and Management Supplies
B. Syringes
C. Blood Glucose Meter (SMBG)
D. Insulin Delivery Device
E. Insulin Infusion Pump
F. Insulin
G. Urine Test Strips
H. SMBG Supplies
I. Insulin Delivery Supplies
J. Insulin Infusion Pump Supplies

PROVIDING DIABETIC SUPPLIES



*Based on Accident and Health premiums written in North Carolina as of December 31, 1987.

PATIENT EDUCATION PROGRAM



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